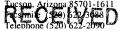


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December 30, 2004

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Arizona Corporation Commission Utilities Division - Docket Control 1200 W. Washington Street Phoenix, Arizona 85007

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Re:

UniSource Energy Services Progress Report

Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-

0914, E-01032C-02-0914, G-01032A-02-0914

A.C.C. Decision No. 66028

Pursuant to A.C.C. Decision No. 66028, UniSource Energy Services ("UES") files this progress report on the negotiations to restructure the Pinnacle West Capital Corporation ("PWCC") Power Supply Agreement ("PSA"). The high and volatile natural gas and power prices of the last two months and their effect on projected energy prices have limited the opportunities to renegotiate the PWCC PSA due to the comparably lower cost of the existing PSA.

Very truly yours,

LEWIS AND ROCA LLP

Thomas H. Campbell

cc:

Ernest Johnson, Utilities Division Director

A.C.C. Compliance Manager

All Parties of Record